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Mobilization of financial resources

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Report by the Director General

The present report responds to the mandate provided by decision IDB.25/Dec.5 in which the Director General is requested to maintain a continuous dialogue with Member States in order to actively sustain the common resource mobilization effort. It should be considered in conjunction with the *Annual Report of UNIDO 2013*, which provides information on mobilization of financial resources for that year. The report also provides substantive reporting on the thematic trust funds, and the trust fund for Latin America and the Caribbean, financed through unutilized balances and other voluntary funding.

Contents

		Paragraphs	Page
I.	Introduction	1-2	2
II.	Thematic focus and progress on funds mobilization	3-7	2
III.	Trust fund on food security	8-11	3
IV.	Trust fund on renewable energy	12-15	4
V.	Trust fund for Latin America and the Caribbean	16-17	4
VI.	Action required of the Committee	18	4

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I. Introduction

1. Given the limited availability of funding for technical cooperation activities from the regular budget of UNIDO, as defined by the Constitution, the mobilization of extrabudgetary funding for the delivery of UNIDO services is imperative. As shown in the *Annual Report 2013*, the volume of these extrabudgetary funds mobilized in 2013 continued to increase rapidly, reaching $242.9 million (including the net change in the level of future payments due under signed agreements), and reaching $187.4 million net funds made available for implementation. Both figures represent an increase on 2012, and while the latter figure represents the second highest level, the level of funds mobilized in 2013 reached the highest level ever attained by the Organization.

2. Funding from the Global Environment Facility (GEF) amounted to $34.8 million, comparable to approvals worth $34.9 million in 2012. Funding from the Montreal Protocol in 2013 showed an increase to $46.4 million from approvals of $23.4 million in 2012. Funding from governmental sources through a variety of channels exceeded $98 million. In 2013 Japan became the largest single donor in this category.

II. Thematic focus and progress on funds mobilization

3. The strong performance in mobilizing new resources for UNIDO programmes, despite the global economic crisis and the general decline in overall official development assistance, is clear evidence for the wide recognition of the Organization's comparative advantages and for the clear focus on its thematic priority areas. Productive capacity-building, trade capacity-building, and sustainable production and industrial resource efficiency continue to be seen as effective responses to global concerns. The trust placed in the Organization and the renewed interest in the productive sectors, which are considered critical to overcoming poverty in a long-term sustainable manner, results in increased funding for the activities of UNIDO.

4. Guided by the Lima Declaration (GC.15/Res.1), the Organization will continue to promote inclusive and sustainable industrial development by strengthening its capacity to create shared prosperity while safeguarding the environment. UNIDO will further strengthen existing and forge new partnerships with organizations with complementary mandates and skills, as well as with representatives of the public and private sector, financial institutions, academia and civil society, so as to continuously improve the services it provides to Member States and increase the efficiency and effectiveness.

5. As mentioned in the *Annual Report 2013*, the overall funding situation for UNIDO's programme and project activities continues to be healthy and diversified. In addition to 16 governmental donors providing more than $1 million each, funding from multilateral funds as well as multi-donor trust funds, present a sound and diversified funding basis for the future. In line with General Conference decision GC.15/Dec.18 on the "Strategic Guidance Document" and the management criteria contained therein, UNIDO continues to pursue innovative sources of

financing, including through additional contributions from traditional and emerging multilateral and bilateral sources.

6. The two issues of concern continue to be, as noted in previous years, the requirement of some donors, such as the GEF, for co-funding of projects, and the limited availability of funds that UNIDO can programme. These would be critical in order to respond rapidly to requests for assistance as well as for the design phase of projects and programmes. On the latter issue, the resources contributed by Member States through renouncing their share of the unutilized balances of appropriations for the benefit of the thematic and the Latin America and Caribbean trust funds provide an important basis.

7. The outlook for indirect government funding of UNIDO technical cooperation programmes through various United Nations multi-donor trust funds is mixed. All remaining funds under the Millennium Development Goals Achievement Fund have been allocated before its closure in June 2013. Funding through multi-donor trust funds reached $4.3 million in 2013, the major part of which, some $3.1 million, originated from the "Delivering as One" fund. The contributions through the United Nations Peacebuilding Fund amounted to approximately $0.8 million.

III. Trust fund on food security

8. This section covers recent progress since the last report in February 2013 (IDB.41/10*-PBC.29/10*).

9. In 2013, technical cooperation activities amounting to €656,432, compared to €774,473 from the creation of the trust fund in 2010 until the end of 2012, were financed from resources of the trust fund. The umbrella programme of the Accelerated Agribusiness and Agro-industries Development Initiative (3ADI) absorbed €283,388, or about half of the total resources drawn from the trust fund. The other half was allocated for the development of stand-alone projects. These were mainly in African least developed countries (LDCs), such as the Democratic Republic of the Congo, Ethiopia, Malawi, the United Republic of Tanzania or Zambia, but also in LDCs in Asia and the Pacific region, or the Caribbean, notably in Haiti and Tajikistan, and through a regional project covering Papua New Guinea, Samoa, Solomon Islands and Vanuatu. It is expected that these funds will generate technical assistance projects of over €10 million financed from other sources, thereby meeting the donors' expectations of a significant leverage of the trust fund resources.

10. The increased visibility of the 3ADI itself attracted several additional countries: Cabo Verde, Cambodia, China, Lao People's Democratic Republic, Mongolia, and a number of Pacific island States expressed interest to join the initiative in 2013. Projects reported under development in 2012, such as the ones in Madagascar, Niger and South Sudan, have since been approved and launched. The level of approved projects meanwhile amount to an estimated €20 million, exceeding here again the targets set by the contributors to the trust fund.

11. UNIDO invested so far €1,344,495 into the 3ADI programme, of which the trust fund on food security alone contributed a total of €883,388. Using this core funding, the initiative has been able to mobilize a sizeable amount of financial

resources, particularly for technical cooperation interventions. So far a total of about €11 million has been mobilized as a result of 3ADI interventions, an amount that is expected to increase as the new projects referred to in the previous paragraph come into operations. In a nutshell, €1.3 million of "investment" in the 3ADI programme yielded a "return" of around €30 million of downstream technical cooperation programmes funded from other sources.

IV. Trust fund on renewable energy

12. This section covers progress since March 2013 (IDB.41/11-PBC.29/11).

13. The trust fund has been fully operational for over two years, and significant progress has been achieved. To date, 13 projects developed with the support of the trust fund have been approved by the Global Environment Facility for grant funding of around $35 million, as well as $188 million to be leveraged as co-financing. Of these, five projects have already been approved, as mentioned in document IDB.41/11. Projects funded by the GEF include those in Albania, Cambodia, Cameroon, Chile, Côte d'Ivoire, the Dominican Republic, Egypt, India, Kenya, Madagascar, Nigeria and the United Republic of Tanzania.

14. In addition, four non-GEF projects have been developed with the support of the trust fund with grant funding of $10 million. These include projects in the Caribbean region, Ethiopia and Kenya, India, and the Southern African Development Community (SADC) region.

15. To date, the trust fund comprises funds to the value of €1,072,138, including support costs.

V. Trust fund for Latin America and the Caribbean

16. As mentioned in documents IDB.40/8 and IDB.41/12, a trust fund for Latin America and the Caribbean has been established. In 2013, the Secretariat worked jointly with the Group of Latin America and Caribbean Countries (GRULAC) on the terms of reference for the utilization of the trust fund, approved by the Group in October 2013. In February 2014, GRULAC Vienna initiated a call for project proposals from capitals in the Latin America and Caribbean region. It is expected that implementation of the projects should start later in 2014.

17. To date, the trust fund for Latin America and the Caribbean comprises funds to the value of €596,465, including support costs.

VI. Action required of the Committee

18. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

(a) Takes note of the information contained in document IDB.42/5-PBC.30/5;

(b) Decides to delegate to the Director General the authority to approve projects for financing under the Industrial Development Fund in 2014 and 2015 in accordance with the priorities defined in the medium-term programme framework 2010-2013 (IDB.35/8/Add.1), adjusted in the midterm review of the medium-term programme framework 2010-2013 (IDB.39/8*), and extended until the expiry of the biennium 2014-2015, following decision GC.15/Dec.17;

(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO;

(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to respond rapidly to requests for assistance and develop and implement its programmatic activities in a prompt and coordinated manner;

(e) Requests Member States to consider contributing to UNIDO to enable the Organization to work with funding sources requiring co-funding, either through contributing to the dedicated trust funds or by special purpose funding at country or global level;

(f) Encourages Governments of recipient countries to play an active role in sharing with UNIDO the responsibility for mobilizing funds for jointly agreed priority activities, and specifically to take the lead in identifying and accessing funds available at the country level, including local cost sharing opportunities, and funds from bilateral donors, multi-donor trust funds, United Nations Development Programme, World Bank as well as other development finance institutions;

(g) Strongly recommends that Member States cooperate with and support the Organization in its efforts to develop and promote its programmes and initiatives in the international development context, and especially through international conferences and other forms of dialogue, in order to ensure that these initiatives are well known, their relevance for international development targets are recognized, and resources are made available."